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Chairman: Mr. Chowdhury ..... (Bangladesh)
later: Ms. Incera ..... (Costa Rica)
later: Mr. Chowdhury ..... (Bangladesh)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Agenda item 120: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/51/11 and Corr.1)

1. **Mr. Gjesdal** (Norway) said that his delegation supported the statement made by the European Union. The need for fundamental reform of the scale methodology remained as great as ever. His delegation also subscribed to the package approach to solving problems relating to scales of assessment, arrears and contributions.

2. The work of the Committee on Contributions provided a basis for clearing some of the hurdles with regard to the scale methodology and indicated areas where further efforts might be undertaken. The current session's discussions should be seen as a continuation of the process begun at the previous session, which at one point had led to tentative agreement on most of the elements of the scale. It now also appeared that there was a basis for agreement on the base period, and that a compromise solution on the gradient was possible.

3. There had been some changes since the previous session. There were new national accounts statistics, which affected the low per capita income adjustment; there was more reliable debt stock information; there was new urgency, since the scale must be in place before the end of the year; there was a new overall reform opportunity, that promised to benefit all Member States; there was a need to avoid vicious circles, that worked to the detriment of all; and there seemed to be a new realism in many of the statements.

4. A close look should be taken at the pros and cons of retaining a 25 per cent ceiling, but that should be done only in the context of an overall financial settlement dealing with arrears.

5. **Ms. Yip** (Singapore) said that her delegation supported the statements made by the Group of 77 and China, and by the Association of South-East Asian Nations.

6. It seemed that Member States were very near agreement on many aspects of the scale methodology, for example, on the proposals to lower the floor, to use gross national product instead of net national income, to phase out the scheme of limits by the year 2000, and to use a six-year base period.

7. Agreement was also near on the low per capita income adjustment formula. No one appeared to have objected to the use of world average per capita income as a threshold, and debate had focused on the gradient. The truth was that all the figures proposed were arbitrary, and arguments about the superiority of one gradient over another were clearly driven by national interest, for the higher the gradient, the greater the subsidy for developing countries and the larger the financial burden on developed countries. Agreement on the current methodology had not been arrived at easily, and she urged the developed countries to retain the current formula. Other arguments, in particular, progressivity, merely complicated the Committee's work, and should be set aside. For the same reason, the existing debt-burden adjustment formula should be kept. Its absolute effect on the scale was not significant, but its retention was politically important for developing countries.

8. The most contentious element would be the ceiling. Her delegation had listened carefully to the grim remarks made by the representative of the United States. It would be regrettable if that country's relationship with the Organization were to be seriously damaged by disagreement over the scale. The scale of assessments was based, first and foremost, on national income. Under all the eight proposals — including the United States proposal — the United States should pay more than 26 per cent, strictly on the basis of national income. The United States already received a significant discount, yet it asked for more. It paid the largest share of the regular budget not because of any problem with the scale, but because it possessed the world's largest economy. Should the 184 other Members of the United Nations grant the largest and richest contributor a further discount just because it said they should and because it might be unhappy if they did not?

9. The argument that the Organization should not be overdependent on one or two Member States was disingenuous. Unless the principle of capacity to pay was completely abandoned and the ceiling lowered to 10 or 15 per cent, the Organization would continue to be dependent on one or two economic super-Powers for the majority of its finances. That was a political reality. It could not be changed by lowering the ceiling to 20 per cent, unless it was the intention of its proponent that a 20 per cent ceiling should be the first in a series of steps to lower the ceiling even further. But even if the General Assembly agreed to lower the ceiling to 20 per cent, what assurance was there that the United States would honour its financial obligations, and what would happen if it did not?

10. Her delegation was willing to consider any scale that could command consensus, but for any agreement to be meaningful, it must be matched by a clear commitment by all Member States to pay their assessed contributions in full and on time. The continued reluctance of the United States to pay its arrears gave little room for optimism that it would

honour its future assessed contributions, regardless of any agreement that might be reached on the scale.

11. Some delegations had attempted to link the scale to other aspects of reform, including reform of the Security Council. While that issue was important, more time was needed for consultation before agreement could be reached, whereas a decision on the scale must be reached by the end of the year. Any linkage between those two issues would thus be inappropriate and unhelpful. In any case, a country's assessment was determined mainly by its share of world income. If a country paid more it was because its income had risen, and not because of any special status in the General Assembly or the Security Council.

12. Unless agreement was reached before the end of the year, there would be no basis for the further financing of United Nations activities after 31 December 1997. Her delegation supported the reform proposals submitted by the Secretary-General, but unless he received the necessary financial support, his efforts would come to naught.

13. **Mr. Berrocal Soto** (Costa Rica) said that everyone was well aware that a decision on the scale must be reached by the end of 1997, as it was fundamental to the Organization's future and to the reform and restructuring currently under way. The question — which involved both technical and political aspects must be resolved quickly and without conditions or pressure.

14. His delegation endorsed the proposals and views of the Group of 77 and China, particularly the view that the Organization's continuing difficulties were a direct consequence of non-payment by some major contributors. The Group of 77 and China had consistently pointed out that capacity to pay was the essential aspect of any reform of the scale. Those Member States with significant outstanding debt should fulfil their obligations to the Organization. The financial crisis was, first and foremost, a payments crisis, so that the solution necessarily required payment of outstanding contributions to both the regular and peacekeeping budgets.

15. Frank, realistic and transparent negotiations are the ninth proposal, leading to a scale which could command the firm commitment, of all the Member States based on their capacity to pay. Otherwise it would not be possible to reach a consensus decision.

16. His delegation found interesting the suggestions that capacity to pay should be accompanied by a "responsibility to pay" and that there should be no ceiling. On responsibility to pay, he agreed that the decisions taken in 1945 regarding the composition of the Security Council and the power and authority of certain members of the Council, including the veto, should have a financial counterpart. Even applying strictly economic criteria, such as annual growth rates and gross national product, the question arose of why some Latin American and Asian developing countries should pay more than countries with special responsibilities. Furthermore, while it might be correct that capacity to pay would be better served if there were no ceiling, there must be a floor, which should be set, for the least developed countries, at 0.001 per cent.

17. The Committee should establish a scale based on real capacity to pay. His delegation could accept a reasonable increase in Costa Rica's contribution.

18. Ultimately, what the Committee was negotiating was whether Member States wanted a strong and financially healthy Organization, or an Organization in crisis with no capacity to discharge the obligations established under the Charter.

19. **Ms. Castellanos González** (Guatemala) said that her delegation endorsed the statements by the Group of 77 and China, the Non-Aligned Movement and the Rio Group, in particular the view that the scale of assessments was not related to the financial situation. The payments crisis would be solved only through the willingness of Member States to discharge their obligations in full and without conditions. Capacity to pay must remain the fundamental guide in the negotiations, which must lead to a scale reflecting the real economic situation of the developing countries. Her delegation was concerned by the prospect that points would be unfairly reallocated. In that connection a reduction in the ceiling would not be acceptable if it led to an increase in the contributions of the developing countries. That might produce an Organization in which only a minority of States could vote.

20. Her delegation supported proposal C in the report of the Committee on Contributions as representing real balance in the distribution of contributions. It was to be hoped that a resolution could be adopted by consensus. Further, any change in the methodology should be introduced on a gradual basis.

21. Her delegation had requested reconsideration of its assessment under the current scale, since it had not reflected real capacity to pay, and was now concerned that its assessment would increase. A country's assessments should not increase by a percentage higher than the growth in its gross national product.

22. While her delegation favoured a longer base, it could accept six years as a fair balance among the options proposed.

23. *Ms. Incera (Costa Rica) took the Chair.*

24. **Mr. Darwish** (Egypt) welcomed the fact that the Committee on Contributions had reached tentative agreement on important elements of the scale, in particular the base period, the debt-burden adjustment and the scheme of limits, although there had been no consensus on a ninth proposal. Negotiations on the new scale must be based on the principle of capacity to pay. The serious financial crisis facing the Organization was not a direct consequence of the scale, and never had been. It was, rather, a direct result of non-payment of assessed contributions, as well as a staggering level of arrears. To allow the Organization to function effectively, Member States should pay their contributions, as apportioned by the General Assembly, in full, on time and without conditions, while Member States in arrears should pay them promptly, thus allowing troop-contributing countries, including Egypt, to be reimbursed. Payment of contributions and arrears was not an act of charity or concession, but the fulfilment of a legal obligation under Article 17 of the Charter.

25. His delegation endorsed the statements of the Group of 77 and the Non-Aligned Movement.

26. He agreed that Member States whose share of adjusted world income was less than the current floor of 0.01 per cent should be assessed at their actual share of adjusted income, subject to a minimum rate of 0.001 per cent. The current floor constituted a departure from the principle of capacity to pay.

27. As for the proposal to reduce the ceiling, while it might reduce the risk of overdependence on one major contributor, it ran counter to capacity to pay and would mean that developing countries would have to absorb extra points. Any such proposal would need thorough examination by the Committee on Contributions. Should the ceiling be reduced, developing countries should not have additional financial responsibilities.

28. He agreed that the base period for the next scale should be six years. Any decision on the low per capita income adjustment should not be taken without thorough consideration by the Committee on Contributions. He agreed that future scale should be based on estimates of gross national product, and that there should be a gradual phase out of the scheme of limits. In all cases, the 15 per cent limitation on the allocation of additional points to developing countries must be maintained, in accordance with General Assembly resolution 48/223 B.

29. **Mr. Ramlal** (Trinidad and Tobago) said that the Committee on Contributions deserved commendation for producing the eight machine scales called for in resolution 51/212 B and for its attempt — albeit unsuccessful — to elaborate a ninth proposal which might have gained wider acceptance. Its work on that ninth proposal might hold some lessons for the Fifth Committee.

30. The delegation of Trinidad and Tobago associated itself with the statement made by the representative of Tanzania on behalf of the Group of 77 and China. If left unchecked, the continuing financial crisis of the Organization might disrupt its capacity to deliver mandated programmes and activities. The crisis had been caused by the failure of Member States, particularly some major contributors, to pay their dues in full and on time. The crisis was not due to the existing scale of assessments and would not be resolved by the preoccupation of some delegations with revision of the scale.

31. The reform of the United Nations was also threatened by the financial crisis. Member States which belaboured the need for cost cutting must surely recognize that the non-payment of assessed contributions jeopardized the whole reform process. It might seem that in its consideration of the proposed eight machine scales the Fifth Committee had the formidable task of reconciling the continuing divergences of view on the scale methodology. Moreover, the proposal by the major contributor on lowering the ceiling rate might well have political and legal repercussions beyond the confines of the Committee. Yet there was room for optimism that the General Assembly could once again reach a consensus agreement on a scale by following the principles and procedures which had guided it over the last 50 years. In that connection the legally established principle of the capacity to pay was the fundamental criterion for determining the scale.

32. As a small country, Trinidad and Tobago attached particular importance to the scale methodology, despite its anomalies and distortions. The gradualist approach to improvement of the methodology in order to measure the capacity to pay more accurately must be continued, for a clean-slate or unilateral approach might open up a Pandora's box of claims and counter-claims which would lead to even greater distortions.

33. His delegation agreed with the recommendation of the Committee on Contributions that future scales should be based on estimates of gross national product and was optimistic that a compromise could be achieved on the base

period. It also agreed with the Committee on conversion rates but emphasized the importance of reliable and verifiable data. It shared the view that relief from the debt burden, which was a major handicap for small island States in particular, must remain a component of the scale methodology, as must the low per capita income adjustment. Since the current floor rate was a departure from the principle of capacity to pay, the Committee's recommendation that it should be lowered to 0.001 per cent deserved support. It was to be hoped that an early consensus could be reached on the final phasing-out of the scheme of limits. Complete compatibility of the ceiling with the principle of the capacity to pay had never been achieved. However, efforts must be made to keep the variations to a minimum. Any lowering of the ceiling would represent a further movement away from that principle for the Member State concerned, with consequent financial burdens for the rest of the membership. It would also be useful to carry the scale to three decimal places.

34. The scale negotiations had always been arduous because no set of adjustments could satisfy all Member States. The negotiations on the new scale promised to continue that trend. However, the ingredients were present for a successful outcome in the Fifth Committee. Of course, flexibility, political maturity and the will to engage in serious negotiations would also be required.

35. **Ms. Eshmambetova** (Kyrgyzstan) said that the adoption of a fair scale of assessments based on the capacity to pay was an important condition of the Organization's viability. The Kyrgyz delegation therefore welcomed the progress made by the Committee on Contributions on a number of elements of the scale for the period 1998-2000 and supported in particular its recommendations for use of gross national product and market exchange rates. It was also in favour of a floor rate of 0.001 per cent, the final phasing-out of the scheme of limits in 1998, and the reduction of the base period to three years, although the Committee's proposal of a period of six years would be acceptable. It would also support the proposals on the debt-burden and low per capita income adjustments, including for the permanent members of the Security Council, with a gradient of 85 per cent, but was ready to compromise on those components as well.

36. It was important to take a political decision on the scale ceiling and on the issue of payment by Members of their dues to the Organization. Movement on those issues would be along a two-way street, which her delegation hoped would not prove to be a dead end.

37. **Mr. Dimovski** (Former Yugoslav Republic of Macedonia) said that there was no reason why the Committee should not again reach a successful conclusion on the current item, especially in view of the improvements in the international situation. The finances of the United Nations should be settled by dialogue and negotiation, in which the starting point was the Organization's role in promoting international cooperation for the implementation of its activities under the Charter. There was no reason why the United Nations could not play its Charter role, and the Member States had a duty to work to that end, especially by reforming the Organization so that it could perform its functions in the twenty-first century.

38. The item before the Committee had both political and practical elements. There was a consensus that nothing should be done to make the Organization's financial difficulties even worse. The Committee must therefore agree on a fair scale of assessments which took into account all the relevant considerations, in particular the principle of the capacity to pay. The task would not of course be easy, especially with respect to the assessment of the largest contributors. Determination and a positive approach would be needed.

39. Macedonia was meeting its financial obligations to the Organization in full and undertook to continue to do so.

40. **Mr. Al-Amri** (Oman) said that the Organization's financial difficulties had arisen, not from an unsatisfactory scale of assessments but from accumulated arrearages in the payment of contributions. The way to a solution was therefore for delinquent Member States to pay up.

41. His own country's assessment had been substantially increased in recent years, unjustifiably so, in view of its difficult economic circumstances, while the assessments of better-off countries, notably the developed countries, were being reduced. In the setting of assessments, the ability-to-pay principle was primordial, and the circumstances of developing countries should be taken into account. If the Committee on Contributions was unable to reduce the assessments of those countries, might it not at any rate hold them stable? His delegation advocated a simple, flexible scale methodology that would be acceptable to all Member States while meeting the requirements of fairness and transparency.

42. **Mr. Assah** (Togo) said that his delegation was uncertain about the future of the principle of the capacity to pay, which was the fundamental criterion in the proposals made by the Committee on Contributions. On that and other points the delegation of Togo associated itself with the statement made by the representative of Tanzania on behalf

of the Group of 77 and China. Apart from the maintenance of international peace and security, the development of nations was one of the Organization's biggest priorities. Given the glaring disparities in development levels, respect for the principle of the capacity to pay was essential, for otherwise the Organization might have Members who were permanent debtors.

43. The economic difficulties of the low-income developing countries, and the least advanced countries in particular, argued for the elimination of the current floor rate of 0.01 per cent. Failing that, the rate should be reduced to 0.001 per cent. In contrast, any reduction in the ceiling would mean applying the fundamental criterion to only one category of States, leaving another category to pay beyond its means and increasing the subsidizing of the rich by the poor. Another important principle -- that of equity — should be applied with respect to the low per capita income adjustment. In general, therefore, the delegation of Togo was against revision of the scale and in favour of the status quo.

44. Turning to the question of the settlement of the arrears of Member States, he said that both incentives and coercive measures should be adopted to encourage settlement of arrears and prevent future non-payment of contributions. Non-payment, unfortunately deliberate in some cases, prevented the United Nations from carrying out mandated activities and compelled it to borrow and cut its staff below the recommended levels. Payment of contributions was a legal obligation on all Member States under Article 17 of the Charter.

45. But only one thing could revive the Organization: the will of every Member State to make the United Nations credible, strong, financially stable and capable of taking up the challenges of peace, security and development. The financial crisis was not due to malfunctioning of the scale of assessments, and even less to the scale methodology, but to the non-payment of contributions.

46. **Mr. Asadi** (Islamic Republic of Iran) said that the issue of the scale of assessments should not be dealt with as part of a package for resolving the financial crisis, which was due not to the scale methodology, but rather to the violation of Article 17 of the Charter and the policy of the major contributor. Artificial linkages would only further complicate the issue and undermine the sensitive negotiations. What was needed was constructive negotiation in a spirit of goodwill.

47. The principle of the capacity to pay should remain the fundamental criterion for establishing the scale. The use of a ceiling was a departure from that principle which adversely affected the assessment of other Members, including the developing countries. By the same token, any further reduction of the ceiling would increase the gap between the capacity to pay of the major contributor and its level of assessment. It was equally unacceptable that many Member States paid a floor rate in excess of their capacity to pay.

48. The criterion of income alone did not reflect the capacity to pay of States having different levels of development. It was thus unjustifiable to treat all States on an equal footing, and other elements, including low per capita income, should be taken into account.

49. The present methodology certainly needed to be improved since its distortions adversely affected a wide range of countries; even expeditious action to remove the distortions was justified. The Iranian delegation therefore supported the immediate phase-out of the scheme of limits and believed that a three-year base period would provide the most accurate approximation of current capacity to pay. It was however ready to engage in constructive discussions with a view to a consensus agreement. To that end it was imperative for all delegations to work with open minds and with goodwill.

50. **Mr. Dos Santos** (Mozambique) said that the delegation of Mozambique associated itself with the statement made by the representative of Tanzania on behalf of the Group of 77 and China. The principle of the capacity to pay should remain the fundamental criterion for the apportionment of the Organization's expenses. His delegation supported the scale methodology, although some of the criticism levelled against it was justified. The scale would have to be improved in order to satisfy all Member States. However, unless States could reconcile their differing positions as to what constituted capacity to pay, consensus would be difficult to achieve. Mozambique paid its financial obligations to the United Nations and other multilateral organizations in full and on time although even the floor rate was beyond its capacity to pay.

51. The Mozambique delegation could not accept a linkage between the scale methodology and the non-payment of contributions and shared the concerns of other least developed and small island developing countries about the surcharge constituted by the floor rate of 0.01 per cent. The scale should be carried to three decimal places, the floor rate reduced to 0.001 per cent, and assessments based on adjusted national income. Such charges would help to eliminate the unfair assessment of many developing countries.

52. For reasons of stability and accurate assessment of current capacity to pay, the base period should not exceed six years. Market exchange rates should be used, except when multiple exchange rates, high inflation rates or sharp

market fluctuations prevailed. The debt-burden adjustment was a vital element of the methodology for the developing countries, in particular the least developed ones. The low per capita income adjustment was also important in that respect and should be retained as initially formulated; changes in the formula must not lead to the transfer of assessment points from high-income developed countries to low-income developing countries. The ceiling had the same distorting effect as the floor rate, benefiting the largest contributor and imposing an undue burden on the low-income countries. The Mozambique delegation hoped that all parties would demonstrate political will, flexibility and pragmatism in seeking agreement on what was a vital issue.

53. **Mr. Novruzov** (Azerbaijan) said that the challenge facing the United Nations was to adapt to the new realities of the post cold-war period. The Secretary-General's reform proposals were a recognition of the fact that the old Organization was over and that an entirely new approach was needed to finance the United Nations and other international organizations. That challenge could be met only if there was consensus on what the nature of the new Organization should be. In that regard, the reform efforts underway were but an interim measure to permit the Organization to survive the current period of uncertainty until a comprehensive solution could be found.

54. Azerbaijan's assessment under the scale adopted by the General Assembly at its forty-seventh session had been extremely unfair. Even though 20 per cent of its territory had been under occupation, it had had more than a million refugees and had lost a quarter of its national wealth, it had nevertheless been assessed as a prosperous State. While his country now paid a reduced assessment, protection from future arbitrary decisions of the majority was far from certain. He hoped that the eventual decision on the financing of the Organization would not adversely affect small, poor countries whose people struggled with the poverty caused by war, natural disasters and the difficulties associated with their economic transition.

55. **Mr. Moore** (Bahamas) said that the principle of capacity to pay should govern the preparation of the new scale of assessments. Even though the current scale had been improved over the years, the methodology for its calculation could be further refined. Any future modifications to the scale methodology, however, must be fair, transparent and democratic and must reflect the spirit of consensus which had prevailed over the previous few years.

56. The Bahamas did not support the view that the Organization's current financial difficulties were due to problems with the scale. Those difficulties were the result of the non-payment of assessed contributions, which were a legal obligation deriving from membership in the Organization. All outstanding contributions should be paid in full, on time and without conditions and it was immoral to link willingness to pay with reform of the scale. Any changes in the scale should seek to correct discrepancies and to ensure that no unfair burdens were placed upon Member States. At the same time, States that had the capacity to contribute more to the Organization should not shy away from their responsibility to do so.

57. One of the most glaring inequities in the scale of assessments was the burden it imposed on many developing countries, in particular the poorest among them, through the retention of the current floor. The Bahamas supported the emerging consensus that that inequity could be redressed by lowering the floor substantially or abolishing it altogether.

58. The Bahamas also supported the proposals to use gross national product as the starting point in the scale and to round the scale to three decimal places in order to obtain a more realistic assessment of capacity to pay. Consideration should also be given to the compromise proposal to change the base period to six years. His Government supported the retention in the new scale of the debt-burden and low per capita income adjustments as well as the gradual phasing out of the scheme of limits over the scale period.

59. While there appeared to be no reason for concern during the current year, the Bahamas would have great difficulty in accepting the notion that countries with high per capita GNP should have higher rates of assessment. Per capita GNP was an unfair and unrealistic measurement of a country's wealth. Current efforts to develop a vulnerability index, which would more accurately reflect the economies of countries like the Bahamas, were therefore very welcome.

60. His Government saw merit in the argument that the ceiling should be lowered in order to reduce the Organization's dependence on one country or group of countries. The financial obligations of the United Nations should be borne in a more balanced manner by all Member States. The way to achieve that balance, however, was to help improve the economic situation of Member States so that they could assume greater financial responsibility and not to force Members to take on increased financial burdens before they were fully able to do so. The current ceiling, moreover, provided a subsidy to the largest contributor, which was paid for by the other Member States, and a further reduction would result in an even greater subsidy to that contributor. Any change in the ceiling should therefore stem from the analysis of reliable and verifiable data and must have the full support of all Member States.

61. **Ms. Aguiar** (Dominican Republic) said that the proposals contained in the report of the Committee on Contributions were a starting point for discussions on the scale of assessments and any final decisions should not adversely affect the economies of States confronted with serious problems of development. It was a well-known fact, moreover, that the Organization's financial problems were unrelated to the scale of assessments.

62. The Dominican Republic had embarked upon a process of broad economic restructuring which required increased economic resources to enable it to meet both its external debt obligations and the most urgent social needs of a population which understandably aspired to a better life. It therefore could not support the proposal to establish a link between economic growth and the capacity to pay assessments that were increased on the basis of macroeconomic indices. Even though the Dominican Republic's growth rate for 1998 was projected to be one of the highest in the region, the most dynamic sectors of its economy were in the area of services and thus subject to the volatility of the money market. Rather than resolving the Organization's problems, disproportionate assessments would therefore create new problems for other States which lacked the capacity to increase their contributions.

63. **Mr. Al-Menhali** (United Arab Emirates) emphasized the importance of a scale methodology that was fair and acceptable to all. His delegation endorsed the position of the Group of 77 and China in that connection.

64. Because of the inadequacy of the regular budget, the Organization had had to borrow repeatedly for peacekeeping operations over the past three years, a situation which had further complicated its financial position and imperilled other planned peacekeeping operations and development programmes. The Member States must therefore strive to find a solution.

65. His country endorsed the ability-to-pay principle, provided the political, economic and other circumstances of individual countries were duly taken into account. The current reform process was not an end in itself, but a means of strengthening the Organizations's ability to respond quickly and comprehensively to evolving world conditions. His delegation was opposed to individual measures aimed at enabling some States to evade their treaty obligations or make them conditional on further reform, especially now that developing countries were carrying heavier burdens because some developed countries were carrying lighter ones. All Member States should pay their duly assessed contributions, and delinquent Member States should make good their arrears unconditionally. Only thus would the world body be able to carry out its mandate.

66. *Mr. Chowdhury (Bangladesh) resumed the Chair.*

67. **Mr. Kinst** (Czech Republic) said that the scale of assessments should be based primarily on the most recent economic statistics for each Member State and that a country's share of world GNP should be the main indicator of its capacity to pay. All other adjustments, except for low per capita income, had a distorting effect and should be applied in a consistent manner, if at all.

68. With regard to the scale methodology, his delegation supported the proposal of the Committee on Contributions that GNP should be used as the primary basis for the scale, in view of the transparency and statistical availability of that indicator. It also shared the Committee's views on conversion rates.

69. His Government was in favour of shortening the statistical base period to six years, even though a three-year base period would lead to closer linkages between a country's economic performance and its capacity to pay. It had some reservations about including the debt-burden adjustment in the scale methodology, since that adjustment was already partly covered in the gross national product. In view of its relatively minor impact, however, his delegation was open to compromise on that proposal.

70. The 75 per cent gradient for the low per capita income adjustment seemed to represent a reasonable compromise and his delegation supported the Canadian proposal to eliminate the inconsistencies in the current methodology. The implementation of progressive transfers from States below the threshold to States above it would result in a more consistent fulfilment of the principle of capacity to pay and avoid unreasonable fluctuations in the assessment of countries which were just above the threshold.

71. On the question of the floor and ceiling rates, his delegation supported the proposals to minimize the floor rate or abolish it altogether, since the setting of any floor or ceiling rate generally led to some distortion of the principle of capacity to pay. It also supported the phasing out of the scheme of limits.

72. Finally, he said that the Czech Republic paid all its contributions in full and on time and was opposed to attempts to link the payment of contributions to the approved scale of assessments.

73. **Mr. Touré** (Mali) said that the solution to the current financial crisis lay in the payment by Members of their assessed contributions on time and without conditions.

74. His delegation associated itself with the statement made on behalf of the Group of 77 and China. The principle of capacity to pay remained the fundamental criterion for calculation of the scale of assessments and his delegation welcomed the proposals of the Committee on Contributions which reaffirmed that principle. It also supported the adjustments which had been proposed to provide relief for Member States with low per capita incomes, particularly the least developed countries.

75. He welcomed the recommendation of the Committee on Contributions that, in future scales of assessments, all Member States whose share of adjusted world income was less than the current floor of 0.01 per cent should be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent.

76. He fully supported the proposals for providing relief to economically weak countries, especially the low per capita income and debt-burden adjustments, and considered the proposal to shorten the base period for the future scale to six years to be an acceptable compromise.

77. **Ms. Dinic** (Croatia) said that, despite the difficulties caused by the large number of refugees and displaced persons and the enormous challenge of rebuilding a devastated infrastructure and economy, Croatia had made great efforts each year to meet its financial obligations to the United Nations. That experience had reaffirmed its belief that capacity to pay should be the main criterion for the apportionment of the expenses of the Organization. Her Government supported a short statistical base period of three years, which would more accurately reflect the current situation in the economy of a given Member State. For that same reason, gross national product should be the basis for calculating the scale of assessments.

78. Her delegation agreed with the view that the Organization's financial difficulties were neither caused by, nor linked to, the current scale methodology. A new and fairer scale would therefore not be enough to solve the Organization's financial problems, although it might solve some of the problems which small States, like Croatia, faced in paying their assessed contributions. In order to properly reflect the capacity to pay of some of the least developed countries, the floor rate should be reduced to 0.001 per cent. On the other hand, the ceiling rate should not be reduced if the assessments of developing countries were thereby increased, distorting the principle of capacity to pay.

79. **Mr. Etuket** (Chairman of the Committee on Contributions) noted that during the debate on the scale of assessments Member States had reiterated the importance of fulfilling their Charter obligations and the need for the scale to be based on the principle of capacity to pay. It was for the General Assembly, however, to give further consideration to what constituted capacity to pay.

80. Several speakers had recognized that the mandate given to the Committee on Contributions to consider and make recommendations on no fewer than eight separate proposals had been both difficult and unprecedented. Nevertheless, the Committee had managed to reach tentative agreement on the base period, the debt-burden adjustment and the scheme of limits. He hoped that those achievements would be useful for advancing negotiations on the next scale of assessments and that the considerable areas of convergence could be further extended by the Fifth Committee.

81. Recalling that the representatives of the Syrian Arab Republic and Oman had questioned the basis for the increase in their countries' rates of assessment under the eight proposals, he noted that both Member States had benefitted from the remaining effects of the scheme of limits under the current scale and would continue to do so in the triennium 1998-2000 under some of the eight proposals. That notwithstanding, the elimination of the remaining 50 per cent of the effects of the scheme of limits in 1998-2000 would lead to an increase in the assessments of those States under all of the proposals.

82. Section III of the Committee's report addressed the concerns of the representative of the Libyan Arab Jamahiriya, regarding the application of Article 19 of the Charter. He recalled that the General Assembly had already taken action on the Committee's recommendation with respect to exemption under Article 19 of the Charter for the Comoros, Liberia and Tajikistan. He now wished to report that Togo had made the necessary minimum payment to avoid the application of Article 19 for the remainder of 1997.

83. With regard to the practical application of Article 19, under current procedures the relevant calculation was made towards the end of each year and was effective from 1 January of the following year, subject to payment of arrears or relevant action by the General Assembly under Article 19. After the calculation was made, notifications indicating assessments outstanding and the minimum amount payable to avoid the application of Article 19 in the following year were sent to all Member States which might fall under Article 19.

84. In conclusion, he drew the Committee's attention to a number of minor errors of calculation in the report of the Committee on Contributions. Those errors would be rectified in corrigenda to the report.

Other matters

85. **The Chairman** said that he had sent a letter to the Chairmen of the other Main Committees drawing their attention to concerns raised by delegations in the Fifth Committee regarding the tendency of substantive committees to involve themselves in budgetary and administrative matters.

86. In that regard, he had drawn their attention to General Assembly resolution 45/248 B (VI) on the procedures for administrative and budgetary matters, whereby the General Assembly had reaffirmed that the Fifth Committee was the appropriate Main Committee entrusted with responsibilities for administrative and budgetary matters, as well as the role of the Advisory Committee. In the same resolution the Assembly had expressed its concern at the tendency of its substantive Committees and other intergovernmental bodies to involve themselves in administrative and budgetary matters.

87. The letter also drew attention to rule 153 of the rules of procedure, pursuant to which statements of programme budget implications were submitted in respect of draft resolutions involving expenditures recommended for approval by the General Assembly. The letter pointed out that the primary responsibility of the other Main Committees was to review the programmatic aspects of statements of programme budget implications, leaving the financial aspects to the Fifth Committee.

88. The letter also referred to General Assembly resolutions 41/213, 42/211 and 45/248 reaffirming the role of the Fifth Committee, and expressed the view that financial aspects should be left for decision of the Fifth Committee.

89. He also drew the Committee's attention to document A/52/234, regarding the allocation of an additional item, entitled "Financing of the United Nations Observer Mission in Angola", to the Fifth Committee.

The meeting rose at 1 p.m.